

GiftCard Business Proposal

April 20, 1999

To include:
The Market
Product Offering
Investment/Revenue Models
LK and virtual magic partnership

EXHIBIT 3

The Market

- Market Mission
- Market Position
- Market Size
- Customer Profile
- Competition
- GiftCard Difference

Market Mission

To provide the global business community with the solution to enhance relationships with both customers and employees and at the same time give an incentive to that person. Both of these enable the customer a means of Personal communication that can build and maintain Lasting business relationships. This cost-efficient communication vehicle can:

- Show customer appreciation
- Express goodwill toward employees
- Welcome or award an employee/customer

Research confirms that retaining just 5% more customers Can boost profits from 25% to 120%.

Market Position

communicating the customer's message with a quality product and flawless ordering system. Historically high selling designs coupled with multiple gift incentive options and on line ordering will provide the customer with a low cost, high quality, and personalized vehicle.

Market Size

There are presently over 1.3 million customer who personally have their own e-mail address or have access to the internet.

Customer Profile

Someone within a business organization who has need to send a gift incentive to either an employee or business (customer or supplier) associate.

Competition

Internet Gift Incentive programs exist, but have only

Been available in the last eighteen months. A partial list of companies providing this service are: GiftPro, Card Express, American Express Incentive Services (information only).

GiftPro currently offers gift certificates for eight different establishments ranging from restaurants to a home supply company. You can order the gift certificate on line or through a toll free number with or without a greeting card.

Card Express offers a wide variety of options. A generic MasterCard with the ability to recharge the value of the card or twenty nine different merchant debit cards/gift certificates.

American Express Incentive Services only provides incentive programs whereby American Express debit cards are provided as the incentive.

GiftCard Difference:

The marketable differences between GiftCard and the Present competition is:

- The quality card being the vehicle for the gift
- The gift is part of the card
- Personalize the greeting as well as the gift
- Same day order and mailing
- Self-mailer concept

The Product Offering

- Product Description
- Product Mix
- Gift Incentive
- Personalization Options
- Ordering Options
- Fulfillment

Product Description	Three panel self-mailer greeting card with an embedded gift incentive (debit card). Four color over four color printing and one color variable printing for verse/message, addresses (sender's and recipient's). Inside and outside design will be revamp of existing historically high selling Handshake designs.
Product Mix	Minimum of six everyday designs (two Job Well Done, two Birthday, Thank You, Congratulations), two Christmas and one Thanksgiving.
Gift Incentive	Minimum of four participating merchants for initial on line launch. Would also try to secure major credit card participant for generic gift.
Personalization Options	Customer can mix and match with design, variable information and gift incentive.
Ordering Options	Either on-line through web site or through a toll free number.
Fulfillment	<p>Order would be printed on a variable printing device that could receive information directly from the web site and output according to predetermined templates.</p> <p>Fulfillment of order would consist of printing, folding, closing with seal and placing in mailing holding area.</p>

Handwritten signature

UK	\$ Investment	Virtual Magic	\$ Investment
Initial Investment		Initial Investment	
Product Offering		For Web Page	
Revamp designs	9 add 1 hour 10 min	Design Web Page	\$5,000
Set-up templates	Copy 10 min	Set-up structure of Web Page	\$1,000
		Provide e-commerce to page	\$750
Fulfillment		Set-up market report templates	\$300
Variable printer	\$341,000		
Debit Card Partners	76 hours 1,00,000	Promotional Materials	\$4,000
Make sales calls	\$20,000	Design support materials	\$2,000
Printing promotional materials	\$10,000	Design and produce PowerPoint presentation	
Advertising	160,000	Travel for debit card meetings	\$10,000
Expected Initial Investment	\$408,500	Expected Initial Investment	\$23,050
Variable Cost (annually)	10,000	Variable Cost (annually)	\$1,200
Labor	\$50,000	Web site maintenance	\$600
Equipment maintenance	47 hr 12,000	Outputting Reports	\$2,000
Material (ink and paper)	\$10,000	Upgrading site	25,000
Expected variable cost (annual)	\$62,000	Expected variable cost (annual)	\$3,800

Revenue Profile

Revenue per order of minimum \$25 gift \$30.50
 Cost per order of minimum \$25 gift \$21.50
 Profit per order of minimum \$25 gift \$ 9.00
 Number of order to breakeven: 55,261
 Number of orders to make 25% margin: 69,076